

**PROCEDURES
FOR ADMINISTERING LOCAL GRANT PROJECTS
IN THE
STATE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)**

Highway, Rail and Transit Projects

Planning, Programming & Monitoring Funds

RSTP/CMAQ Match Reserves

Rideshare Projects

**CALIFORNIA DEPARTMENT OF TRANSPORTATION
(CALTRANS)**

April 1, 1999

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FLOW CHARTS

1. ALLOCATION PROCEDURES (HIGHWAY PROJECTS)
2. ALLOCATION PROCEDURES (RAIL/TRANSIT PROJECTS)
3. REIMBURSEMENT AND PROJECT COMPLETION

ATTACHMENTS

- I. State-only Funding Memorandum w/attachments (December 1, 1998)
- II. Local Road Rehabilitation Project Certification
- III. Pavement Management System (PMS) Certification
- IV. Funding Allocation Checklist (Local Highway Projects)
- V. Request for Funding Allocation (Local Highway Projects)
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- VII. State-only Finance Letter (Local Highway Projects)

I. PURPOSE

Senate Bill 45 (SB 45), approved in 1997, made major changes in the State's transportation programming process. The purpose of this document is to assist responsible local agencies, regional planning agencies, the California Transportation Commission (Commission), and Caltrans in the administration of local grant projects (all highway and rail/transit project work not implemented by Caltrans) programmed in the State Transportation Improvement Program (STIP). The procedures also address the Planning, Programming, and Monitoring (PPM) funds, RSTP/CMAQ match reserves, and Rideshare projects. These procedures replace the 1991 *Financial Guidelines* which no longer applies to projects programmed in the STIP.

All 1996 STIP projects, including Transportation Enhancement Activity (TEA) projects, Rail/Transit projects receiving bond funds (Propositions 116 and 108) or funds programmed in the old Transit Capital Improvement Program (FYs 1996-97 and 1997-98), will be administered in accordance with these procedures. Highway projects on the State highway system receiving State transportation funds and implemented by local agencies will be developed in accordance with Caltrans' *Procedures Manual for Special Funded State Highway Projects*. The specific implementation procedures for each project will be spelled out in a cooperative agreement, or for projects with construction cost of \$1,000,000 or less in State transportation funds, in the conditions of a Caltrans encroachment permit.

II. IMPACT OF SB 45 ON LOCAL GRANT PROCEDURES

The *1998 STIP Interim Guidelines*, adopted by the Commission on January 15, 1998, (amended February 18, 1998 and January 14, 1999), describes the new programming procedures relative to the fund estimates and project selection process. SB 45 also enacted new provisions regarding the timely use of funds for projects adopted into the 1998 STIP or subsequent STIPs. The *Guidelines for Allocating, Monitoring, and Auditing, of Funds for Local Assistance Projects*, adopted by the Commission on February 17, 1999, describe the new procedures to protect the State's funds and to verify funds are used in a timely manner. For local grant projects, no adjustment will be made to the county share balance after the allocation for any amount not expended by the local agency. Time limits were also placed on the allocation of funds programmed in the STIP. These procedures address the potential impact that the new timely use-of-funds provision will have on county share balances.

After a project is programmed in the STIP, three major steps in the administration of local grant projects are impacted by SB 45—fund allocation, project reimbursement, and project completion. Of these three steps, SB 45 has the most impact on the fund allocation process. Local entities, regional planning agencies, the Commission, and Caltrans all play an important role in this step. Procedures for project reimbursement and project completion have not been changed except for the time limits placed on reimbursements in the liquidation of the encumbered funds. Project

implementation procedures (including environmental, right of way acquisition, design standards, preparation of plans, specifications and estimates, and construction) are not changed by SB 45.

A. TIMELY USE OF FUNDS

Funds programmed for local grant projects are available for allocation only until the end of the fiscal year programmed in the STIP, as it may be amended. Whenever programmed funds are not allocated within this deadline, the funds will be deleted from the STIP. The Commission will, however, adjust the share balance to restore the funds in the next county share period. The Commission may, at the request of a regional agency, amend the STIP for project funding that has not yet been allocated, reprogramming the funding to a later fiscal year and thus postponing the application of these timely use of funds provisions. (See *1998 STIP Interim Guidelines*.)

1. Project Development and Right of Way

Funds allocated for Environmental Studies and Permits, for PS&E, and for right of way costs are available for expenditure only until the end of the second fiscal year following the year in which the funds were allocated.

2. Construction and Equipment Purchases

After funds are allocated, the local agency has twelve months to award a contract. Unless the Commission grants an extension, as described below, the allocated funds for projects not awarded by this deadline will be rescinded with no adjustment to county shares. After award of a contract, the local agency has up to 36 months to complete the construction or vehicle purchase contract. At the time of allocation, the Commission may approve a longer time period for completion of work if necessary to accommodate the project expenditure plan.

Project completion is defined as when all work identified in the project agreement has been completed and accepted by the officer or body constituting the awarding authority of the local agency. Caltrans will provide monthly reports to the Commission on projects which have not been awarded within six months of the date of the Commissions' allocation.

3. Transfers to the Federal Transit Administration

After funds are allocated by the Commission, Caltrans will transfer the appropriate Federal funds to the Federal Transit Administration for administration. (See below for procedures.) The date the funds are transferred will be considered as meeting the timely use of funds deadline for the federally funded portion of the appropriate project component. However, the timely use of funds limitations will apply to the reimbursement of the State match, when State match is provided.

4. Commission Extension

The Commission may grant a one-time extension of up to 20 months to each of the deadlines specified above if it finds that an unforeseen and extraordinary circumstance beyond the control of the responsible agency has occurred that justifies the extension. The extension will not exceed the period of delay directly attributed to the extraordinary circumstance and will in no event be for more than 20 months.

5. Invoices

The local agency must invoice Caltrans for project development and right of way costs no later than 180 days after the end of the last eligible fiscal year of expenditure. For construction costs, the local agency has 180 days after project completion to make the final payment to the contractor and prepare the final Report of Expenditures (or Project Close-Out Report for rail/transit projects) and final invoice, and submit to Caltrans for verification and payment. Extension of the deadline for submittal of the final invoice may be approved by Caltrans to accommodate the settlement of contract claims.

6. Project Schedule Changes

Accurate schedules and strict compliance with the timely use of funds deadlines, as they may be extended, are essential to insure that Caltrans has the legal authority to reimburse the local agency for eligible expenditures. If a local agency must significantly amend its schedule for a project component after funds have been allocated, it will be responsible for promptly notifying Caltrans of the changes, even though the schedule remains within the timely use of funds deadlines. This is especially critical when delays change the amount of funds required in a fiscal year. Failure to advise Caltrans of such changes could jeopardize the Federal/State funds available for the project.

B. SHARE BALANCES AND ADJUSTMENTS

1. No Adjustment for Under Expenditure of Allocated Funds

For the purposes of share balances, the costs counted for local grant projects will be the amounts actually allocated by the Commission. No adjustment will be made after the allocation vote for any amount not expended by the local agency.

2. Shifting Allocated Funds Between Project Components

In order to provide a degree of flexibility to local agencies in administering projects, allocated funds may be shifted between project components without Commission action to accommodate cost changes within the following limits:

- Funds may be shifted between the two project development components (environmental studies and permits, and preparation of plans, specifications, and estimates) up to the combined amount of the allocations.
- Funds may be shifted between project development, right of way and construction limited to within ± 20 percent of the amount programmed for each component or the amount allocated for each component (if the amount allocated is less than the amount programmed).

Shifting of allocated funds between components will not impact county share balances. County share balances will be based on the amounts allocated for each component.

C. STATE-ONLY FUNDING

The Commission will assume that all projects will meet Federal requirements unless State-only (non-Federal) funding has been approved. Projects proposed for State-only funding are subject to Caltrans' recommendation prior to the Commission approval. Caltrans issued a "Project Funding Policy" memorandum on December 2, 1998 that provides the Department's funding guidelines for STIP projects. (Attachment I) Included in the memorandum is an inventory of existing commitments to State-only funding (as of 11/30/98). The inventory is made up of the following:

- 1998 STIP Projects Flagged for State-only
- Grandfathered Projects – '96 STIP
- Projects Granted State-only Funding (SOF) (as of 10/15/98)

In accordance with the "Project Funding Policy," state-only funds are also approved for the following:

- All Capital projects under \$750,000 (the total amount programmed for all components) except for:
 - Park & Ride and Bus Stop projects costing \$30,000 or more.
 - Safety (HB-1) and Railroad crossing projects on State highways costing \$100,000 or more.
- State funds used to match Federal funds.
- STIP Rideshare projects.
- Rail projects that are not eligible for Federal funding, and are not for acquiring rolling stock.
- STIP Planning, Programming, and Monitoring funds.
- Projects recommended by Caltrans approved by the California Transportation Commission (CTC) at the time of programming.
- Projects granted exceptions by Caltrans (after 10/15/98)

In accordance with Commission policy, State-only funding will also be provided for all eligible storm damage repair and local road rehabilitation projects identified in the 1998 STIP Augmentation, regardless of cost. Any additional storm damage repair or local road rehabilitation projects that may later be amended into the 1998 STIP, will be provided with State-only funding, up to a statewide

program level of \$300 million for local road rehabilitation. This is not a commitment that State-only funding will be available for these projects at the time of allocation. If funds are available when requested, Caltrans will approve the request without further Commission action. If funds are not available, the agency requesting funds will be contacted to provide information regarding the need for State-only funding.

The Commission has not made a commitment for State-only funding for other projects requesting those funds in the 1998 STIP Augmentation. They have, however, indicated priority will be given for that funding at time of allocation if State-only funds are available. Project Sponsors must follow the request for Exceptions to Federal funding as outlined in the Caltrans' "Project Funding

Projects are not to be advertised until the Request for Allocation has been approved. If State-only funding is not available, it will likely require the project to be re-advertised adding additional time to receiving your allocation and beginning construction. Projects awarded before the allocation is approved will not receive funding unless the contract contains a contingency clause that states funding is contingent upon approval of the allocation. If Federal funds are determined appropriate, advertising for construction shall not occur until a Federal Request for Authorization has been approved and the agency has been notified to begin construction.

D. PROGRAMMING

Several actions must take place during the programming of the STIP to establish the scope, estimated cost, and schedule of local grant projects. (See Flow Charts 1 and 2.)

- The local agency completes a Project Study Report or equivalent
- The local agency completes and submits a Project Nomination (Fact) Sheet to the regional planning agency
- The regional planning agency includes the project in the Regional Transportation Improvement Program (RTIP)
- The Commission adopts the project into the STIP

These actions are described in the *1998 STIP Interim Guidelines* and summarized below.

1. Project Study Report (PSR) or Equivalent

A new project may not be included in an RTIP without a complete project study report (or equivalent for local grant projects). This requirement applies to the programming of project development components as well as the right of way and construction. This requirement does not apply to the programming of project planning, programming, and monitoring or to the STIP match of RSTP/CMAQ funds. A PSR is a report that meets the standards of the Commission's PSR guidelines. For a transit project, the Commission's Uniform Transit Application is a PSR equivalent. A PSR equivalent will, at a minimum, be adequate to define and justify the project

scope, cost and schedule to the satisfaction of the regional planning agency. This step is very important because it is the basis of the State funding commitment.

2. Project Nomination Sheet

The local agency must submit a Project Nomination Sheet to the regional planning agency for each new project nominated in the RTIP. This includes the basic project information regarding the scope, cost and schedule displayed as shown in the Appendix to the *1998 STIP Interim Guidelines*. This is the key document used as the basis to start the allocation process for STIP highway projects. It shall be submitted with the Request for Funding Allocation, as described below.

3. Regional Transportation Improvement Program (RTIP)

Based on Project Nomination Sheets submitted by local agencies, each regional planning agency adopts and submits its RTIP containing its programming proposals from the county share to the Commission for adoption. In addition to project nominations, the RTIP may also propose programming various reserves. The allocation process for Planning, Programming, and Monitoring (PPM), RSTP/CMAQ Match and Rideshare Projects are described in the appropriate section below.

4. State Transportation Improvement Program (STIP)

Upon a finding that the RTIP is consistent with the *1998 STIP Interim Guidelines* and is a cost-effective expenditure of State funds, the Commission adopts the RTIP projects nominated from the county share in the STIP. Although the PSR equivalent is not submitted with the RTIP, the Commission or its staff may request copies to document the project's cost or deliverability.

5. STIP Amendments

The Commission may amend the STIP at the request of the regional planning agency that originally nominated the local grant project(s). (See Section 48 "STIP Amendments" in the *1998 STIP Interim Guidelines*.) An amendment may change the scope, cost or program year of any STIP project, but the Commission will not amend the STIP to change programming of any funds after they have been allocated. Local agencies should be aware that the Commission will amend the STIP only after providing at least 30 days public notice.

All regional requests for STIP amendments shall be submitted directly to the appropriate Caltrans district. Caltrans will review proposed amendments and forward them to the Commission for public notice and action. Caltrans, in cooperation with regions and Commission staff, will develop and implement a set of procedures to standardize and streamline the amendment process and to enhance the accountability of regions for amendments of projects which are not administered by Caltrans.

6. Federal Transportation Improvement Program (Federal TIP)

All projects in the STIP will be Federal/State funded unless State-only funding has been approved for the project. Before the local agency's "Request for Authorization to Proceed" can be approved, projects with any Federal funding (STIP or local Federal-aid) must be included in the Federal TIP (or Federal Statewide Transportation Improvement Program in rural areas) approved by Federal Highway Administration (FHWA) and the Federal Transit Administration. For all new projects falling outside an MPO's boundary that require Federal funding, Caltrans will process a Federal TIP amendment upon adoption of the STIP. The MPOs will be responsible for submitting Federal TIP amendments for their counties.

7. 1998 STIP Augmentation

The Commission initiated this special programming cycle in order to make new programming capacity identified in the revised 1998 STIP Fund Estimate available for immediate programming rather than wait for the 2000 STIP. The 1998 STIP Interim Guidelines were revised relative to the STIP Augmentation on January 14, 1999.

8. Eligibility of Local Road Rehabilitation Projects

The Commission guidelines define eligible projects on local road and transit systems to include rehabilitation work and to exclude maintenance. The guidelines have indicated the Commission's intent that local road pavement rehabilitation projects be held to the same standard (5-year life rather than 10-year life) applied to the use of regionally-programmed Federal funds (RSTP), although most of the projects would be funded without Federal funds.

Current Federal standards for RSTP projects are described in Chapter 4 "Surface Transportation *Local Assistance Program Guidelines* and Chapter 11, "Design Standards", of the *Local Assistance Procedures Manual*. Eligible rehabilitation work includes improvement of local roads through resurfacing, restoration, or rehabilitation (3R). 3R work is generally regarded as heavy, non-routine maintenance designed to achieve a ten-year service life. Eligible 3R work includes:

- placing additional asphalt concrete over a structurally-sound highway or bridge that needs treatment to extend its useful service life,
- restoration of a road, structure, or collateral facility (drainage, retaining wall, etc.) to the condition existing after original construction,
- upgrading guardrail or widening shoulders.

Projects that provide less than a 10-year life are considered Preventative Maintenance. Eligible strategies include, but are not limited to roadway activities such as joint and shoulder rehabilitation, heater re-mix, seal coats, and corrective grinding of PCC pavement. These activities are eligible provided:

- The local agency certifies that it has a Pavement Management System (PMS).
- The decision process used by the city or county to determine project strategies was based on the established PMS.
- The PMS determined the project strategy to be cost effective and have a service life of 5 years or more.
- The work does not degrade any existing safety or geometric aspects of the facility.

Routine maintenance, such as spot application projects (pot hole repairs - other than removal and replacement of localized failures in areas to be resurfaced, cleaning drainage ditches and culverts, etc.), is not eligible.

Each local road rehabilitation projects proposed for funding in the 1998 STIP Augmentation was programmed subject to verification at the time of allocation that the project meets the standard for rehabilitation and does not include ineligible maintenance costs. To ensure that local road rehabilitation projects meet the Commission guidelines, the Regional Transportation Planning Agencies will certify compliance prior to Caltrans processing of requests for funding allocations. A form is attached for this purpose. Regional Transportation Planning Agencies may use this form or equivalent. Also provided is a Pavement Management System (PMS) certification for those agencies requesting funding for projects with less than a 10 year service life.

9. Eligibility of Storm Damage Repair Projects

The added increment of STIP programming capacity resulting from the amendment of the 1998 STIP Fund Estimate is available to fund repair of storm damage on local streets and roads resulting from storms occurring in the winter of 1997/98. Repair of storm damage in declared disaster areas is eligible for STIP funding only to the extent that such damage can't be funded with Federal Emergency Relief (ER) funds or Federal Emergency Management Administration (FEMA) funds.

In accordance with the *1998 Interim STIP Guidelines*, STIP amendments for storm damage repair projects will be accepted for notice until December 1, 1999. These projects should be scheduled and programmed so that allocations for capital funding occur no later than June 2, 2000. Projects are to be programmed based on an inventory, submitted to the Commission, of remaining storm damage projects to be funded.

Caltrans will review the eligibility of projects identified as Storm Damage repair on a project-by-project basis upon receipt of a Request for Funding and a copy of the inventory submitted to the Commission. The local agency will be required to certify the storm damage isn't eligible for ER or FEMA funds.

III. PROCEDURES FOR HIGHWAY, RAIL AND TRANSIT PROJECTS

A. ALLOCATION OF FUNDS

1. All Projects

The Commission will consider allocation of funds for a project or project component when it receives an allocation request and recommendation from Caltrans. Caltrans' recommendation will include a determination of the availability of funding and a recommendation on the source of funding. The recommendation on the source of funding shall include the amounts by fund account, as well as the fund type within the account including the type of Federal funds. The Commission will approve the allocation only if the funds are available and are necessary to implement the project as programmed in the STIP. Allocations for final PS&E will be made only after documentation of environmental clearance under the California Environmental Quality Act (CEQA). Allocation for right of way acquisition or construction will be made only after documentation of required environmental clearance for the project (CEQA and NEPA, if appropriate). All fund allocations are subject to the timely use of funds provisions as described above.

All allocations shall be rounded to the nearest \$1000. The Commission will consider making an allocation which exceeds the amount programmed in the STIP if a region has adequate reserves in the STIP or if the Commission finds it can approve an advance to the county share from STIP reserves. The regional planning agency responsible for programming the project shall approve requests for all allocations which exceed the amount programmed. The regional planning agency may also request the Commission to amend the STIP to increase the programmed amount. (See "STIP Amendments.") Programmed funds not allocated are subject to the timely use of funds provision described above.

If a project or project component is ready for implementation earlier than the fiscal year that it is programmed in the STIP, the implementing agency may request an allocation in advance of the programmed year. The Commission will consider making allocations in advance of the programmed year based on making a finding that the allocation will not delay availability of funding for other projects programmed in earlier years than the project to be advanced and with the approval of the responsible regional agency if county share funds are to be advanced.

2. Caltrans' Delegated Allocation Authority for Project Development Components

To keep the number of routine, ministerial commission allocation requests to a minimum and streamline and shorten the procedures, the Commission has delegated limited allocation authority to Caltrans. Under this delegation, Caltrans may approve allocations to project development components of local grant projects programmed in the 1998 STIP. The delegated authority has the following limits:

- Project development components (environmental studies and PS&E) programmed for \$750,000 or less (each component)
- Requests for funding allocations equal to or less than the programmed amount
- Request for funding allocations for which the description and/or scope of the project has not changed
- Projects provided with Federal/State funding unless the project meets Caltrans' State-only funding policy
- An annual cap to be established by the Commission at the beginning of each fiscal year

3. Caltrans' Delegated Allocation Authority for Storm Damage and Local Street and Road Pavement Rehabilitation Projects

The Commission has delegated authority to Caltrans for allocation of funds to local storm damage and pavement rehabilitation projects. This delegation excludes requests for allocation greater than the programmed amount or for projects that have a change in scope which must still be forwarded for Commission allocation. The original resolution has been revised to also allow Caltrans to make allocations, with the approval of the responsible regional agency, for projects which are delivered a year earlier than the year programmed in the STIP.

Projects that involve the addition of a lane, major realignment or major upgrading of geometric standards are considered reconstruction, not rehabilitation. However, rehabilitation projects may include selective improvements to highway geometry and other roadway features including safety appurtenance and still be considered to be eligible for this delegation.

4. Caltrans' Delegated Allocation Approval Documentation

Caltrans will approve Requests for Funding without further Commission action as long as the requests meet the limitations of the delegated authority. Except for storm damage and local street and road pavement rehabilitation projects, requests for allocations in advance of the programmed year must be submitted to the Commission for approval, as described above. Copies of Caltrans' allocation approval documentation will be provided to the responsible Regional Transportation Planning Agency. Caltrans will also provide the Commission with quarterly reports on the project

development allocations made under the delegation and monthly reports on the storm damage and rehabilitation project allocations.

B. HIGHWAY PROJECT ALLOCATION PROCEDURES

After a highway project is adopted or amended into the STIP, the next step is to submit a request for funding allocation to the Caltrans District Local Assistance Engineer. However, depending on the type of project and funding, several additional actions may be required to obtain authorization to proceed and establish the date for the beginning of reimbursable work. (See Flow Chart 1.) These additional actions include the following:

- The local agency submits a Request for Funding Allocation
- The local agency submits a Request for Authorization to Proceed (Projects with Federal funds)
- Caltrans and the local agency enter into an Administering Agency-State Master Agreement
- The Commission (or Caltrans under the limited delegation authority) makes the Funding Allocation
- Caltrans approves the local agency's Request for Authorization to Proceed (E-76), or provides Authorization to Proceed in writing for projects with no Federal funds

Since the re-engineering of local assistance procedures, Caltrans does not verify the local agency's capability to do the specific project component as part of the allocation procedures. Instead, Caltrans maintains a process review program as the main method for determining if local agencies are in compliance with all applicable Federal and State laws, related regulations, and procedures. Local agencies under sanctions imposed by Caltrans as a result of deficiencies identified in a process review may not be allowed to administer new projects until corrective action has been implemented. (Local agencies may appeal sanctions using the "Local Programs Dispute Resolution Process" described in the *Local Assistance Procedures Manual*.)

1. Request for Funding Allocation (See attached form and checklist)

Local agencies are responsible for submitting requests for funding allocations once their project is in the adopted STIP. The requests shall be submitted to Caltrans' District Local Assistance Engineer for review and processing through Caltrans' headquarters Office of Local Programs (OLP) to the Budgets Program. As long as the amount requested is equal to or less than the programmed amount and does not change the description and/or scope of the project, formal concurrence from the regional planning agency is not required. (All requests to split or combine projects shall be approved by the regional transportation agency.) Because of the potential impact the new timely use of funds provisions will have on county share balances, regional planning agencies are responsible for monitoring the amount and timing of all fund allocation requests. Caltrans will develop a reporting system to assist in this effort. (Note: If the regional transportation planning agency's governing board passes a resolution requiring their approval prior

to submittal to Caltrans, the local agency shall provide written evidence of such approval on the Request for Funding Allocation.)

If changes have been made that require a STIP amendment, a copy of the regional planning agency's STIP amendment request shall be attached. Caltrans will process the fund allocation request concurrently with the CTC approval action on the STIP amendment.

Local agencies requesting Federal/State funds (or State-only funding that has already been approved), shall submit the "Request for Funding Allocation" form (see attached). The local agency shall provide the following information in the Request for Funding Allocation:

Project Identification - the STIP identification (PPNO and EA), the project name and location, and the Assembly and Senate Districts.

Description of Proposed Improvement - a detailed description of the project scope from the Project Nomination Sheet. If changed from the Project Nomination Sheet, attach written concurrence from the Regional Transportation Planning Agency.

Fund Allocation Summary - the total amount of funding allocation, including STIP programmed amounts by fiscal year, the amount of previous and current fund allocations (by project component)

State-only Funding Approval (if appropriate) - if the request is for State-only funding, identification of the type of approval (i.e., identified in the adopted STIP, an approved exception, meets Caltrans policy, etc.)

Project Funding Plan by Fiscal Year - the type of STIP funding, identification of all other sources of funding, and any specified funding conditions. If expenditures and reimbursement will extend beyond the fiscal year of allocation, provide a schedule by fiscal year of anticipated cash flow. (If attached Project Nomination Sheet includes this detail, a separate funding summary is not required.)

Request for Additional STIP Funding - if the request exceeds the amount programmed for any component, provide information on the amount of additional funding required, county reserves available, county share advance (if county reserves are inadequate to fund the shortfall), and justification for the addition.

Status of Project - status of environmental studies, right of way certification, and estimated ready to advertise dates

Estimated Timely Use of Funds Deadlines - the estimated deadlines for the various timely use of funds deadlines based on the requested funding approval date (date of Commission

meeting, or for delegated allocations, the date Caltrans would approve). Caltrans will identify the actual deadlines when the requested funding is approved.

A "Funding Allocation Checklist" has been developed (attached) to assist the local agency with determination of the proper form to use, approval authority, and calculation of the estimated timely use of funds deadlines. The checklist shall be completed by the local agency and attached to the request. A copy of the Project Nomination Sheet shall also be attached to the request. The local agency shall forward a copy of the funding request to the regional planning agency.

The local agency should allow 60 days from submittal of the Request for Funding Allocation to Caltrans until Commission approval. (Where all the prerequisite requirements are satisfied, Caltrans should be able to process the delegated approval of project allocations within two weeks.)

Note: If State-only funding has not been approved, the local agency must submit the Request for Funds/Exceptions to Project Funding Policy form in accordance with the instructions on requesting Exceptions to Project Funding Policy (see attached "State-Only Funding" memo).

2. Request for Authorization to Proceed Package

To initiate the authorization to proceed for the initial phase of a federally funded highway project and authorization for additional phases, each local agency must prepare a Request for Authorization to Proceed package. This package, along with required Federal documents (Field Review Form, Finance Letter, Detail Estimate, Right of Way Certification, PS&E Checklist, Construction Administration Checklist, etc.), provides the information needed by Caltrans to formally authorize the start of each phase of reimbursable work, prepare the project agreement and set up the project in the Federal and State accounting systems. Federal/State funded projects will be authorized in accordance with procedures described in the *Local Assistance Procedures Manual*. Approval of the "Request for Authorization" by Caltrans establishes the date for the start of reimbursable work for each project component.

For State-only projects with no other Federal funds administered by the FHWA, the Request for Funding Allocation (and State-only Finance Letter) will serve as the basis for requesting the allocation and authorization to proceed, preparing the project agreement and setting up the project in the State accounting system. The State-only Finance Letter (attached) provides the information needed by Caltrans to set up the project in the State accounting systems.

Normally, additional lead-time is needed to prepare the Request for Funding Allocation and prepare an agenda item for Commission action. Therefore, the funding request may precede the Request for Authorization to Proceed. However, if all required information is available, both requests should be submitted at the same time.

3. State Master Agreements

The Administering Agency-State Master Agreements define the general terms and conditions which must be met by the local agency to receive Federal-aid or State funds. Caltrans currently has Federal Master Agreements with most of the agencies with candidate projects. Projects of agencies that have no recent experience with Federal-aid administered by the FHWA (from the STIP or other local sources) will require a new Federal Master Agreement before the local agency may start reimbursable work.

A new master agreement (attached) and program supplement have been developed for State-only funded projects. Projects with State-only STIP funding, but with other Federal funds administered by the FHWA, will be administered under the Federal Master Agreement. Caltrans will initiate the new State-only Master Agreement when local agencies submit their first request for funding allocation for projects with no Federal funding.

4. The Commission Funding Allocation

All submittals must be complete before Caltrans will forward the request with the funding recommendation for Commission approval (or approve under delegated allocation authority). Caltrans may request a copy of the PSR, or equivalent, to resolve issues regarding the project description and/or scope of the project. Incomplete submittals will be returned for correction.

5. Federal Authorization to Proceed (E-76)

For those local agencies that have a Federal Master Agreement in place, Caltrans will approve the local agency Request for Authorization to Proceed (E-76) upon notification that the Commission has approved the allocation approval. (Under delegated allocation authority, Caltrans will approve the "Request for Authorization" and the allocation at the same time.) Otherwise, Caltrans will approve the request upon receipt of the executed Administering Agency-State Master Agreement.

6. Start of Reimbursable Work

For Federal funded projects, approval of the Federal Authorization to Proceed (E-76) establishes the date for the start of reimbursable work for the phase of work authorized.

For State funded projects, Caltrans will issue a written authorization to proceed that establishes the date for the start of reimbursable work.

Execution of the program supplement agreement will be deemed a contractual obligation by the State for the payment of the State share of the project for eligible costs incurred after the date of authorization. Actual reimbursement for the eligible cost of work cannot occur in advance of

entering into the program supplement agreement and, for Federal projects, execution of the PR2/2A agreement.

C. RAIL/TRANSIT PROJECT ALLOCATION PROCEDURES

After a Rail/Transit project is adopted or amended into the STIP (and Federal TIP, unless State-only), the next step is to obtain a funding allocation. However, depending on the type of project and funding, several additional actions, as described below, may be required to complete the allocation process and establish the date for the beginning of reimbursable work. (See Flow Chart 2.)

1. SB 580 Review (for Fixed Guideway Projects)

For exclusive fixed guideway projects, Caltrans must complete a SB 580 Review. The first part of this review, called agency certification, is to ensure that a local agency has an accounting system capable of effectively managing State or Federal funds. This is a one-time certification, unless there are significant changes in management or the accounting and reporting procedures of the agency.

A project certification is also required for each project programmed in the STIP to ensure that the local agency has provided for enough funding to complete the project. This certification is also to ensure that the local agency has a project management system in place to oversee the project development. The project certification can be done in conjunction with the agency certification or as a separate certification.

A local agency is encouraged to get the SB 580 Review done early, soon after it gets a project in the State program, especially if the project is a large and complex one, or its later approvals may be slowed down. A local agency should contact their Caltrans District Public Transportation, or Planning Program to obtain a copy of the handbook on SB 580 Review procedures and for assistance in completing the procedures.

2. Grant Application to the Federal Transit Administration

Transit projects with any Federal funding must be transferred to the Federal Transit Administration for administration. The first step in this process is to apply for this transfer by submitting a Grant Application to the Federal Transit Administration. Eligible transit agencies with projects programmed in the STIP with Federal/State funds should submit the Grant Application soon after the project is programmed in the STIP to avoid delays. Transit agencies that are not familiar with this process should contact the Federal Transit Administration directly to obtain instructions and assistance in completing the application. Local agencies that are not eligible to administer transit projects must enter into an agreement with an eligible transit agency to administer their project.

For transit related projects (parking structures, multi-modal stations, etc.) which could be administered by either the FHWA or the Federal Transit Administration, the applicant or MPO, has the option of selecting the administering agency. Administration by the FHWA should only be considered on an exception basis. Exceptions should be discussed with Caltrans early to avoid delays in the allocation of process.

3. Fund Allocation Package

Under Government Code Section 14085 and various Commission resolutions, Caltrans has additional review and approval responsibilities for Rail/Transit projects. In order for Caltrans to ensure that Rail/Transit project allocation funding requests are consistent with the project that was programmed, certain detailed information will need to be provided to Caltrans District Public Transportation or Planning Program by the local agency.

When the local agency is ready to proceed with the project, it submits an allocation package to Caltrans. (Note: If the regional transportation planning agency's governing board passes a resolution requiring their approval prior to submittal to Caltrans, the local agency shall provide written evidence of such approval on the Request for Funding Allocation.)

The purpose of the allocation package submittal is to provide the California Transportation Commission and Caltrans enough information to make an informed decision, per Government Code § 14529.1. The Department must ensure that the local agency has the resources and capabilities to implement the project in a timely manner, that the Department has an opportunity to monitor the progress being made, and that the funds requested are in fact for use on the project as programmed in the STIP. The allocation package is also used by Caltrans to prepare the Fund Transfer Agreement and perform the SB 580 Project Review simultaneously.

The allocation package should contain the following items:

Request for Funding Allocation - the letter should state the amount of funds being requested and address any changes to the project that was programmed, if any. If there are changes to a project, the local agency must submit a letter of concurrence from the regional agency before the request will be forwarded to the Commission.

Project Description - a description of the project for which the funds will be used. This allows the district and headquarters (HQ) to compare the project that is programmed to the project for which the funds are being requested and initiate the Fund Transfer Agreement. The descriptions must be the same or an amendment may need to be requested.

Scope of Work - describes in detail what work will be done and what the estimated costs will be. If this is a partial allocation, prior and/or future allocations should be listed to end

up with a total project cost estimate.

Financial Plans - details, by quarter, when the expenditures for these funds will be incurred:

- Breakdown the type and amount of funds, what items/components the funds will be expended on (i.e., environmental, preliminary engineering, right of way, construction, vehicles, etc.)
- Detail the local or Federal funds that will be used in conjunction with these funds
- Detail any previously allocated funds on the project, including local and Federal funds
- Detail any future funds planned for the project, including local and Federal funds

Delivery Schedule - a chart or narrative detailing when planned work will begin and end.

Right of Way - if right-of-way will be purchased, documents should include the following:

- The number of parcels being purchased using the requested funds
- The names of the current owner(s)
- Current use of the land
- For non-operating rail right-of-way under \$2 million, submit an estimate of the cost, per CTC Resolution #G-95-09
- For non-operating rail right-of-way over \$2 million or operating rail right of way, regardless of the amount, submit an appraisal, per CTC Resolution #G-95-09
- Hazardous Waste Indemnification Resolution, signed by an authorized representative of the agency or their Board stipulating:
 - That the agency will exercise due diligence and identify hazardous materials, and provide, at the seller's or the buyer's expense, clean-up and remediation of hazardous materials present on or below the parcels;
 - That the agency agrees that no State funds would be sought for clean-up, damages or liability costs associated with the hazardous materials; and
 - That the agency shall indemnify the State of existing and future liabilities that may result from the hazardous materials. Per CTC Resolution #G-91-2.

Vehicle Purchase - if vehicles will be purchased, provide the following information:

- Is this a group purchase? If yes, with whom? If no, why not?
- Type of fuel required to operate vehicle
- Size of vehicle (if transit vehicle), and the number of passengers it will carry

4. The Commission Funding Allocation

Caltrans will review the package to ensure all necessary items are included and that, in fact, the agency is ready to proceed with the project before submitting the funding request package and funding recommendation to the Commission (or approving those requests for project development allocations that have been delegated to Caltrans).

5. Transfer of Funds to the Federal Transit Administration

Upon notification that the grant has been accepted by the Federal Transit Administration, that FHWA has approved the Federal TIP, and the Commission has made the funding allocation, Caltrans will prepare and submit the Federal authorization document to the FHWA for the transfer of Federal funds.

6. Start of Reimbursable Work

For projects receiving Federal funds, the Federal Transit Administration will provide authorization to proceed and establish the date for the start of reimbursable work after the transfer of the funds has been completed by the FHWA.

For State funded projects, the date for the start of reimbursable work is the date of the Commission allocation resolution (or Caltrans' approval date of those requests that meet the delegation of allocation authority conditions). Actual reimbursement of eligible work cannot occur until the local agency and Caltrans have executed the Fund Transfer Agreement.

D. REIMBURSEMENT

After the Commission allocates the funds and the start of reimbursable work has been authorized, the following actions must be completed before the local agency can actually be reimbursed for the work:

- Appropriation of funds in the Budget Act
- Project specific agreement(s) is/are prepared and executed
- Local agency submits progress invoices

A summary of these procedures is listed below.

1. Appropriation of Funds in the Budget Act

Funds for the new Regional Improvement Program must be appropriated by the Legislature in the Budget Act before they may be encumbered.

2. Project Agreement

A project specific agreement (Program Supplement to the Administering Agency-State Master Agreement for highway projects or an executed Fund Transfer Agreement for Rail/Transit projects) must be in place to encumber funds for a project in the State accounting system and to allow payments to be made to the local agency. Caltrans will prepare the Program Supplement or a Fund Transfer Agreement and submit it to the local agency for signature upon notification that

the Commission has allocated the funds (and Caltrans has approved the Request for Authorization to Proceed for Federal projects).

For Federally funded highway projects, Caltrans will also enter into a project specific agreement (PR2/2A) with the Federal Highway Administration for the reimbursement of the Federal funds.

For Federally funded Rail/Transit projects, the local agency will enter into an agreement with the Federal Transit Administration for the reimbursement of the Federal funds. The Fund Transfer Agreement prepared by Caltrans will only cover the reimbursement for the State matching funds. If the local agency provides the match and receives 100% Federal STIP funding, this agreement will not be required.

3. Consultant Preaward Audit Requirements

Preaward audits are required for all engineering and design related service contracts (and subcontracts) more than \$75,000 financed with State or Federal-aid funds. The objective of the audit is to:

- Determine if the consultant agreement specifically provides for the following:
 - Three year record retention period and right to audit
 - Method of payment
 - Reference to cost principles set forth in 48 CFR Chapter 1, Part 31 for allowability of individual items of cost; 49 CFR, Part 18 for administrative procedures; and OMB Circular A-110, which are administrative procedures for nonprofit subrecipients
- Determine if the Consultant's cost proposal contains a breakdown of the estimate for performing the work, and that the proposed costs are reasonable in relation to actual historical costs and estimating procedures
- Determine if the Consultant's cost accounting system is capable of accumulating reasonable, allocable, and allowable costs

It is Caltrans' policy to apply the Federal preaward audit guidelines regardless of the source of funding.

Procedures for administering the audit are described in the Local Programs Procedure (LPP) 99-01 "Interim Preaward Audit Requirements. At the discretion of the local agency, either Caltrans or the local agency shall perform (or contract to perform) the required preaward audit of a consultant contract. On consultant (and subconsultant) contracts less than \$250,000, a preaward audit may not be required if a preaward audit was conducted on the consultant within the last 12 months by any local, State (including Caltrans) or Federal agency and other conditions, as described in the LPP, are met.

LPP 99-01 has been issued on interim basis and will be updated in the near future based on the recommendations of a recently established work group (made up of Caltrans, FHWA, and local agencies) that will look for ways to streamline and improve the process.

4. Progress Invoices

The local agency will be reimbursed for eligible participating costs in arrears upon submittal of progress invoices to Caltrans for expenditures actually made. The local agency must invoice Caltrans for reimbursement in accordance with the timely use of funds deadlines described above. Invoices shall be submitted no more frequently than monthly to minimize the administrative costs to the State and local agency. Invoices shall not be submitted until the local agency receives the fully executed Program Supplement and PR2/2A agreement (Federal projects) for highway projects or an executed Fund Transfer Agreement for Rail/Transit projects.

Progress Invoices will be submitted to Caltrans as follows:

<u>Type of Project</u>	<u>Caltrans Office</u>
Highway (or Transit Related Project Administered by the FHWA)	HQ Accounting Service Center Attn. Local Programs Accounting
Intercity Rail	HQ Rail Program
All other Rail/Transit Projects	District Public Transportation or Planning Programs

5. Shifting Allocated Funds Between Project Components

Local agencies will be required to submit a request to the District Local Assistance Engineer (or District Public Transportation or Planning Programs for Rail/Transit projects) for the shift of any funds and a revised Finance Letter (for Highway Projects) to Caltrans for approval. Local agencies shall be responsible for ensuring funds are available in the appropriate project component before submitting invoices to Caltrans.

E. PROJECT COMPLETION

1. Report of Expenditures/Project Close-Out Report

Upon acceptance of a completed project and final payment to the contractor, the local agency is responsible for preparing and submitting to Caltrans final report documents, including the final invoice, which collectively constitute a Report of Expenditures or Project Close-Out Report. These reports provide key information required to initiate timely project closure and payment.

These reports should describe project change and reasons for the change, if any, compared to the scoping document for the project.

These reports and the final invoice will be submitted to Caltrans as follows:

<u>Type of Project</u>	<u>Caltrans Office</u>
Highway (or Transit Related Project Administered by the FHWA)	District Local Assistance Engineer
Intercity Rail	HQ Rail Program
All other Rail/Transit Projects	District Public Transportation or Planning Programs

2. Caltrans' Verification

Caltrans will review the completed project and verify that it was completed in accordance with the scope and description of the project authorization documents before processing the final invoice. The agency is responsible for maintaining written source document records that identify agency costs and project development payments made to consultants, vendors and contractors. Contract records must be retained by the local agency for a minimum period of three years from the date of final payment.

3. Audit Requirements

Local agencies receiving Federal funds are subject to the audit requirements of the Federal Office of Management and Budget's Circular A-133. A single audit is required if an agency receives more than \$300,000 in Federal funds from all sources. Local agency expenditures for all local assistance programs are subject to financial and compliance audits by the State Controller's Office Audits and Investigations. Normally, project audits are not necessary if the expenditures for a project are covered by a single audit report accepted by the appropriate Federal agency.

F. ADDITIONAL GUIDANCE

1. Highway Projects

The proceeding sections give a brief summary of Reimbursement and Project Completion procedures for local highway projects. (Flow Chart 3 shows the process from the appropriation of funds in the budget to payment of the final invoice.) For a more detailed explanation of all the various procedures required to administer Federal and State funded local highway transportation projects, see the *Local Assistance Procedures Manual*. These procedures are based on Caltrans'

reengineering concepts of eliminating multiple reviews and delegating most project responsibilities and accountability to the administering agencies. Caltrans no longer approves local right-of-way certifications, PS&E packages, and except for process reviews does not review construction activities. Instead, the local agency self-certifies right-of-way, PS&E, and local agency construction administration procedures.

Federal program efficiencies enacted by ISTEA and TEA-21 allow this delegation for most Federal-aid project activities, but do not apply to the National Environmental Policy Act (NEPA). Because Caltrans is considered by the FHWA to be the applicant for all local grant projects with any Federal funding administered by the FHWA, Caltrans reviews and processes locally prepared NEPA, and other federally required environmental documents.

Local grant projects must also meet the requirements of the California Environmental Quality Act (CEQA). The local agency is the lead agency under CEQA and provides CEQA approvals and clearances. Caltrans is only involved in the review of local agency CEQA documents which impact a State route through the Intergovernmental Review (IGR) planning process.

2. Rail/Transit Projects

Caltrans and the Commission take a more active role in Rail/Transit projects. The *Transit Funding Reference Guide* outlines the various Caltrans policies and Commission resolutions that local agencies need to adhere to. The following are topics covered in the *Transit Funding Reference Guide* directly relating to project reimbursement and close-out:

- Guidelines for Caltrans Right of Way Review for Rail Projects
- Quarterly Report Guidelines
- Bond Certification
- Fund Transfer Agreements
- Expedited Pay

IV. PLANNING PROGRAMMING AND MONITORING (PPM) FUNDS

The *1998 STIP Interim Guidelines* allow the programming by a region from its county share for each year of the STIP an amount for project planning, programming and monitoring by the transportation planning agency. To streamline the allocation process for these funds, the Commission has delegated allocation authority to Caltrans. To simplify the process further, all agencies will receive State-only funding for eligible PPM activities. Caltrans has prepared standard agreements for the distribution of these funds which allow lump sum “up front” payments to all agencies which programmed \$300,000 or less per fiscal year. Agencies receiving over \$300,000 will be paid on a reimbursed basis. Each agency will be required to prepare a PPM plan to be included as part of the agreement.

Caltrans has prepared project specific agreements for all agencies that have programmed funding in the 1998/99 year of the STIP. Planning agencies will request allocations and agreements for the next year as they near completion of expenditures for the first cycle of agreements.

V. RSTP/CMAQ MATCH RESERVES

The *1998 STIP Interim Guidelines* allow the programming by a region of a reserve from its county share for each year of the STIP to match Regional Surface Transportation Program (RSTP) and the Congestion Mitigation and Air Quality program (CMAQ) program funds. The match funds are available for any eligible Federal RSTP and CMAQ projects and permissible under Article XIX of the California Constitution. The match must also be less than or equal to the required minimum State-match of Federal participating costs.

To streamline the process and relieve the Commission of numerous, routine allocations, Caltrans has been delegated authority to allocate 1998 STIP funds from the RSTP/CMAQ match reserves to local agencies. At the beginning of each fiscal year, Caltrans will request that each region identify specific projects to be matched from the reserve programmed, the responsible agency, and specific project match limits. Caltrans would then work directly with the local agencies to administer the reserves. As long as the local agency's request for funding allocation is equal to or less than the amount identified by the regional planning agency for the project, Caltrans will approve the request without further Commission or planning agency action.

Caltrans will prepare and approve an allocation document each time match funds are approved for a project and forward copies to the appropriate regional planning agency. Caltrans will also provide the Commission with quarterly reports on the allocations made under this delegation. The match funding will be subject to the same timely use of funds provisions that apply to highway projects identified in the STIP (see above). The regional planning agencies will be responsible for monitoring the allocation of the reserves each year to insure that all reserves programmed have been allocated before the end of the fiscal year. Caltrans will provide the Commission with quarterly reports on the allocations made under the delegation.

VI. RIDESHARE PROJECTS

The *1998 STIP Interim Guidelines*, adopted by the Commission on January 15, 1998, allows the programming of non-capital expenditures for transportation demand management projects that are a cost-effective substitute for capital expenditures. The Commission programmed eighteen rideshare projects into the adopted 1998 STIP as eligible projects.

To streamline the process and provide a continuous flow of funds for eligible expenditures, Caltrans has been delegated responsibility for the allocation of 1998 STIP funds for these rideshare projects. State-only funding will be provided for all projects to allow the same simplified process

for all the rideshare projects. As long as the local agency's request for funding allocation is equal to or less than the programmed amount for each rideshare project, Caltrans will approve the request without further Commission action. Requests for allocations in advance of the programmed year must be submitted to the Commission for approval, as described above. Because of the potential impact the new timely use of funds provisions will have on county share balances, copies of allocation approval documentation will be provided to the responsible Regional Transportation Planning Agency. Caltrans will also provide the Commission with quarterly reports on the allocations made under the delegation.

Caltrans has prepared standard agreements for the distribution of these funds which allow lump sum "up front" payments for amounts of \$300,000 or less per fiscal year. Agreements for over \$300,000 per year will provide for payments on a reimbursed basis. Upon receipt of a request for a fund allocation from the project sponsor, Caltrans will prepare the project specific agreement and submit it to the local agency for execution. Project sponsors will request allocations and agreements for the next year as they near completion of expenditures for the first cycle of agreements.